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Tunisia

Grain and Feed

Annual

2008

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Report Highlights:

Despite a series of incentives, including sizeable increases in farm-gate prices of wheat and barley, the 2008 domestic cereal crop is estimated at nearly 1.6 million MT, down 8 percent from last year's crop. U.S. sales of wheat are making significant inroads into the Tunisian market. U.S.-origin shipments are currently at 167,000 MT, a three-fold increase compared to the previous marketing year. In addition, the United States continues to be the main supplier of corn capturing over three-quarters of total imports.

Includes PSD Changes: No
Includes Trade Matrix: No
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SITUATION AND OUTLOOK

Production

The 2007 cereal crop (winter wheat and barley) harvested over the period June-August 2007 was officially estimated at nearly 2 million MT, up from the previous year's estimate of 1.6 million MT. This aggregate figure is broken down by type of cereal as well as by main growing regions as follows:

Unit: 1000 MT

2006/2007 season	**North**	**Center & South**	***Total***
Durum Wheat	1020	155	*1175*
Soft Wheat	252	16	*268*
Barley	344	191	*535*
Total	**1616**	**362**	***1,978***

Source: Tunisian Ministry of Agriculture.

The official estimate for total cereal production is significantly higher than Post's estimate of 1.755 million MT. Despite the conjunction of a markedly lower harvested area (1.356 Ha, down nearly 15 percent from the previous crop year) and serious fusarium and rust infestations impairing yields and causing quality problems, the Tunisian Ministry of Agriculture contended that cereal production recovered compared to the previous crop season.

The accuracy of the official estimate was called into question by anecdotal evidence gathered from farmers. Furthermore, in hindsight the official crop estimate was not corroborated by actual import levels. Post maintains its 2007 cereal production estimate.

The present 2007/2008 crop season started under relatively good whether conditions: the northern part of Tunisia, particularly the humid and sub-humid areas of Jendouba, le Kef, and Beja received adequate rainfall. Conversely, the central part of the country, which is mainly devoted to growing barley got scant rainfall and ended up with a much smaller seeded area than the early forecast (436,000 Ha vs. the expected 690,000 Ha). The overall seeded area is currently estimated at 1.315 million hectares (630,000 Ha planted to durum, 170,000 Ha planted to soft wheat and 515, 000 Ha to barley)

Despite a series of incentives announced by the government of Tunisia since the beginning of the current wheat growing season, including a 68-percent increase of the farm-gate price for durum wheat, the seeded area as well as expected yields are likely to remain close to last year's level. Lacks of rainfall in some parts of the country as well as high indebtedness among farmers are the main draw-backs.

The 2008 cereal crop, due to be harvested this summer, is tentatively pegged at 1.6 million MT. The following table depicts Post's planting, yield, and production estimates for the three major cereals grown in Tunisia.

Unit: 1000 MT

2007/2008 season	Plantings (1,000 ha)	Yield (MT/ha)	Output (1,000 MT)
Durum Wheat	630	1.5	945
Soft Wheat	170	1.8	306
Barley	515	0.7	360
Total	1,315	n.a.	1,611

Source: AgTunis estimates

Wheat Production

Outlook for the 2008 wheat crop is tentatively pegged at 1,250 million MT, of which nearly 75 percent is durum wheat. Average yields for both durum and soft wheat are expected to be significantly lower than those recorded last year, largely on account of inadequate moisture conditions during springtime (respectively 6 percent and 15 percent lower)

Barley Production

2008 barley production is expected to reach 360,000 MT, a 30-percent decrease from the previous crop. This production drop is almost totally ascribed to yield decreases. The average yield for barley is estimated at 0.7 MT/hectare, nearly 30 percent lower that the average yield reported in the last crop season.

The barley production tends to be erratic given the predominance in Tunisia of the rain-fed farming system. Crop failures due to drought are more likely to occur in the central and southern part of Tunisia, region where barley is mainly grown.

Consumption

The overall wheat utilization is revised upward to 2.7 million MT to account for structural changes in the country's tourism sector whereby additional consumption driven by over two million tourists coming each year from Algeria and Libya, is reshaping domestic food supply for staples, including cereal products. Those visitors, unlike Europeans, have higher needs of wheat-based food items. In addition, it is believed that the wheat products' price spreads at the retail level between Tunisia and Algeria due to different rates of subsidization is offering an incentive to smuggling those products between the two countries.

Each year up to 200,000 MT are earmarked for seeding purposes. The remaining quantity (2.5 million MT) is channeled to the milling industry. Baking flour derived from soft wheat accounts for roughly 40 percent of the milling output whereas durum wheat semolina and products thereof (pasta & couscous) make up the balance.

Coarse grains' (barley and corn) quasi-exclusive utilization is livestock feeding. Barley consumption is erratic. It tends to soar during drought seasons, as barley is over-fed to cattle to make up the shortage of green forage. During MY 2007 consumption is estimated at nearly 1.1 million MT. This level of consumption is set to recede given the government's plan to phase out the barley subsidy starting from next June, 2008.

Corn usage is steady. MY 2007 corn usage is estimated at 650,000 MT. Nearly one third will be incorporated to ruminant feed and the remainder will be used as an ingredient in compounded feed for poultry.

Despite the current upward trend in corn consumption, demand outlook for MY 2008 is tentatively pegged at MY 2007 level as high prices for corn are expected to exert downward pressure on corn usage.

Trade

Reflecting a below-average domestic wheat crop, MY 2007 wheat imports are expected to reach 1.7 million MT, nearly 13 percent up from the overall quantity shipped into the country during the last marketing year. The bulk of wheat shipments are made up of soft wheat, a commodity for which Tunisia runs a structural deficit no matter how good the local harvest. When the current marketing year wraps up by the end of June 2008, durum imports are likely to top 600 MT, the highest import level on record. Whereas imports of soft wheat are estimated to reach the 1.1 mark. This relatively high level of imports is taking place despite sizeable price increases. Average CIF import prices quoted in local currency were as follows:

Unit: Tunisian Dinar per MT

	April 2006 (1)	April 2007	April 2008	Increase over the 12-month period ending April 2008
Durum	265	274	839	206 %
Soft wheat	199	288	475	65 %
Barley	205	300	411	37 %
Corn	169	280	361	29 %

Source: according to INS statistics
(1): Average CIF prices for shipments during the 4-month period ending April 2006

In MY 2007, Black Sea countries (mainly Russia and Ukraine) and, to a lesser extent, France and Canada provided the bulk of wheat shipped into Tunisia. The United States remains uncompetitive price-wise for milling wheat due to freight unfavorable differential vs. Europe and the black sea region.

Conversely, durum sales, for which there is less competition from nearby countries, occurred during the second half of MY 2007. So far shipments totaled 167,000 MT (the figure is made up of nearly 141,000 MT of durum and 26,000 of HRS imported as a substitute for durum in semolina production). This export level is over a three-fold increase from last year's 48,000 MT.

MY 2008 forecast for wheat imports are based on the assumption that the upcoming crop will be again below average.

MY 2007 barley imports are expected to be at 700,000 MT, a figure significantly lower than the 732,000 MT reported last marketing year. In an attempt to take advantage of the price spread between barley and corn, the Office of Cereals brought in a couple vessels of corn as a substitute for barley to feed sheep.

MY 2007 overall corn imports are estimated at 670,000 MT, a roughly 10 percent increase from the overall quantity shipped over the last marketing year. MY 2008 forecast is pegging overall corn imports at 650,000 MT. This import level reflects continuing strong demand from poultry and dairy sectors alike.

Policy

Recent policy developments pertaining to the Tunisian cereal sector are as follows:

- Enactment of several incentives to improve domestic cereal production: the government of Tunisia is trying to boost domestic production of cereals in a move to bolster food security and keep the cereal imports' bill under control. To that end, a series of farm-gate price adjustments for wheat and barley were made over the last year. Current farm-gate prices stand at:
    - o 550 TD/MT for durum (equivalent to nearly $ 475/MT), a 68-percent increase from last year
    - o 450 TD/MT for soft wheat (equivalent to nearly $ 388/MT) , a 57-percent increase form last year
    - o 400 TD/MT for Barley (equivalent to $345/MT), a 100-percent increase from last year

  In addition, a series of financial incentives meant to prod farmers to increase yields was announced: higher caps on seasonal credits, preferential interest rates and increase of investment bonuses from 15 percent to 25 percent for the purchase of farm equipment.
- Waiving tariff and other import duties: the government of Tunisia promulgated a decree on December 2007 (Decree # 2007-4188 dated December 27, 2007) whereby customs duties and value added tax (VAT) were removed on imports of feed wheat, feed barley, wheat bran, and corn by-products (corn gluten feed and DDGS). Tax relief on these products is meant to reduce retail feed prices in an attempt to safeguard the struggling livestock sector.

II-STATISTICAL SECTION

PSD Table									
Country	**Tunisia**								
Commodity	**Wheat**						(1000 HA)(1000 MT)(MT/HA)		
	2006	**Revised**		**2007**	**Estimate**		**2008**	**Forecast**	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	950	836	836	780	700	847	0	0	0
Beginning Stocks	943	838	838	840	833	789	625	0	894
Production	1200	1250	1250	1235	1235	1235	0	0	1250
MY Imports	1433	1500	1506	1300	1500	1700	0	0	1600
TY Imports	1433	1500	1401	1300	1500	1423	0	0	1600
TY Imp. from U.S.	20	20	48	0	50	167	0	0	50
Total Supply	**3576**	**3588**	**3594**	**3375**	**3568**	**3724**	**625**	**0**	**3744**
MY Exports	100	155	155	100	150	130	0	0	150
TY Exports	100	155	155	100	150	130	0	0	150
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	2636	2600	2650	2650	2600	2700	0	0	2700
Total Consumption	2636	2600	2650	2650	2600	2700	0	0	2700
Ending Stocks	840	833	789	625	818	894	0	0	894
Total Distribution	**3576**	**3588**	**3594**	**3375**	**3568**	**3724**	**0**	**0**	**3744**
Yield	1.263158	0	1.263158	1.583333	0	1.583333	0	0	0

NB: Import and export trade matrixes feature CY Trade figures because MY Trade figures are available on an aggregate basis only and therefore cannot be broken down by country of origin.

Export Trade Matrix			
Country	Tunisia		
Commodity	Wheat		
Time Period	CY	Units:	1,000 MT
Exports for:	**2006**		**2007**
U.S.	0	U.S.	1
Others		Others	
Libya	87	Libya	80
Senegal	5	Senegal	6
Niger	17	Niger	17
Total for Others	109		103
Others not Listed	46		26
Grand Total	**155**		**130**

Import Trade Matrix			
Country	Tunisia		
Commodity	Wheat		
Time Period	CY	Units:	1,000 MT
Imports for:	**2006**		**2007**
U.S.	48	U.S.	33
Others		**Others**	
France	203	France	80
Italy	24	Italy	6
Russia	154	Russia	577
Germany	43	Germany	27
Ukraine	404	Ukraine	157
Bulgaria	100	Bulgaria	0
Canada	172	Canada	116
Spain	10	Spain	74
Syria	79	Syria	156
Total for Others	1189		1193
Others not Listed	164		197
Grand Total	**1401**		**1423**

PSD Table									
Country	**Tunisia**								
Commodity	**Barley**						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	550	430	430	520	470	435	0	0	410
Beginning Stocks	221	240	240	150	300	177	120	0	262
Production	400	350	355	520	520	535	0	0	350
MY Imports	679	710	732	500	500	700	0	0	500
TY Imports	866	710	619	500	500	889	0	0	500
TY Imp. from U.S.	22	0	0	0	0	22	0	0	0
Total Supply	**1300**	**1300**	**1327**	**1170**	**1320**	**1412**	**120**	**0**	**1112**
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	1100	950	1100	1000	950	1100	0	0	900
FSI Consumption	50	50	50	50	100	50	0	0	50
Total Consumption	1150	1000	1150	1050	1050	1150	0	0	1000
Ending Stocks	150	300	177	120	270	262	0	0	162
Total Distribution	**1300**	**1300**	**1327**	**1170**	**1320**	**1412**	**0**	**0**	**1112**
Yield	0.727273	0	0.727273	1	0	1	0	0	0

Import Trade Matrix			
Country	Tunisia		
Commodity	Barley		
Time Period	CY	Units:	1000 MT
Imports for:	**2006**		**2007**
U.S.	0	U.S.	22
Others		Others	
Ukraine	241	Ukraine	67
Spain	0	Spain	81
Russia	50	Russia	159
France	41	France	137
Turkey	20	Turkey	19
UK	23	UK	83
Holland	72	Holland	33
Germany	99	Germany	97
Total for Others	546		676
Others not Listed	73		191
Grand Total	**619**		**889**

Corn

PSD Table									
Country	**Tunisia**								
Commodity	**Corn**						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	1	1	0	1	0	0	0	0	0
Beginning Stocks	93	89	89	73	84	40	74	0	57
Production	1	1	0	1	0	0	0	0	0
MY Imports	679	650	607	800	650	670	0	0	650
TY Imports	653	650	588	800	650	618	0	0	600
TY Imp. from U.S.	453	500	440	0	500	459	0	0	450
Total Supply	**773**	**740**	**696**	**874**	**735**	**710**	**74**	**0**	**707**
MY Exports	0	6	6	0	10	3	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	700	650	650	800	650	650	0	0	650
FSI Consumption	0	0	0	0	0	0	0	0	0
Total Consumption	700	750	650	800	650	800	0	0	650
Ending Stocks	**73**	**84**	**40**	**74**	**75**	**57**	**0**	**0**	**57**
Total Distribution	773	740	696	874	735	710	0	0	707
Yield	1	0		1	1		0	0	0

Import Trade Matrix			
Country	Tunisia		
Commodity	Corn		
Time Period	CY	Units:	
Imports for:	**2006**		**2007**
U.S.	440	U.S.	459
Others		Others	
Argentina	6	Argentina	154
Ukraine	104	Ukraine	0
Romania	8	Romania	0
Bulgaria	30	Bulgaria	0
Total for Others	148		154
Others not Listed	0		5
Grand Total	**588**		**618**